



March 23, 2021

Honorable Rep. Drew Darby  
Texas House of Representatives  
Via email

RE: In Support of HB 2533 relating to valuations of real property for use by financial institutions.

Representative Darby:

On behalf of the Texas Mortgage Bankers Association, I want to express our appreciation for your leadership in authoring HB 2533. TMBA is the oldest and one of the largest state mortgage banking trade associations in the country. Our history spans more than 100 years. Our members include the largest banks in the country as well as regional and community banks. Our members include credit unions as well as national, regional and Texas mortgage bankers not affiliated with depository institutions.

HB 2533 provides important benefits to Texas homeowners and first time borrowers seeking to obtain a home. Under federal law, banks making loans of less than \$400,000 on a single family residence are not required to have a full appraisal, but may use a "short form" appraisal or evaluation. These evaluations have for decades have been performed by financial institution employees or licensed or certified appraisers. Evaluations are cheaper and quicker to obtain, and for smaller loans may be used consistent with best banking practices for safety and soundness.

A large majority of loans originated in our state are originated in accordance with the guidelines of the major Government Sponsored Enterprises, Fannie Mae and Freddie Mac. For certain home loans these entities permit waiver of a full appraisal and permit use of a "hybrid appraisal" or a valuation using an approved automated valuation model.

An opinion issued by Attorney General Ken Paxton in November, 2020 advised that the long standing practice of using licensed appraisers to perform evaluations or "hybrid appraisals" may be inconsistent with existing statutory provisions requiring these professionals to always perform a full appraisal. Although not specifically addressing the issue, that opinion also casts some concern as to whether or not employees of depository institutions and mortgage bankers could perform these "short form" evaluations. HB 2533 resolves these issues so that these long standing practices may be conducted consistent with statutory requirements.

I am attaching a statement of support from a number of trade associations that join in our endorsement.

*John C Fleming,* General Counsel, TMBA